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NRA: ECONOMIC MEANING AND CONSEQUENCES.

The official interpretation of the NRA unites in one picture its humanitarian and economic aims: to put people back to work and to pay living wages; i.e., to restore our home market, by raising the consuming capacity; thus to start the wheels of industry running again; to the same end, to eliminate unfair trade practices, including child labor and sweatshop conditions, and as part of the story to make possible fair profits. Various steps have been taken to realize these aims. *What is their relation to each other? Can the aims be realized under the profit system?*

UNEMPLOYMENT

No system is stable or humanly tolerable that requires mass unemployment. Our system had broken down at this point. The peak of employment was passed in 1919-1920.

What They Tried. The administration program on unemployment included: the codes limiting hours; the President's blanket agreement calling for a basic 35-hour week; a public works program, for which \$3,300,000,000 was authorized; the Civilian Conservation Corps to put several hundred thousand young men at reclamation work—to which has now been added the Civil Works Administration by way of transferring 2,000,000 from public relief rolls to a three-day work week.

Statistics? In mid-September Secretary Perkins quoted an increase in employment of 6.4 per cent in manufacturing industry (along with an 11.6 per cent increase in payroll) as a sign of "the beginning of the upward spiral we are working for." On October 22nd the President said over the radio that he was "convinced" that at least 4,000,000 had been given work within a few months, i.e., that "40 per cent of those seeking work, have found it." Now Secretary Ickes estimates that 3,000,000 have been returned to employment directly and indirectly on public works. The use of these vague estimates is an admission that statistical data have not been collected. Does anyone know how many of our 12,000,000 to 17,000,000 unemployed now have jobs? Also does anyone know how many have been laid off to make room for those taken back? How many of the higher paid who do not come under the codes have been laid off to take on others at the minimum wage? How many Negroes have been replaced by whites because, as the employers say, if we must pay code wages we must have efficient workers? (A survey by the American Economic Institute shows a labor turnover for the third quarter of 1933 twice as great as for the second quarter, three times that of the first quarter.)

There are no reliable estimates as to the present unemployment. It is well-known that many of those re-employed are in part-time and unstable jobs and that millions are still out of work. *Where are these going to get jobs? How is their potential purchasing power going to be released?*

The Future? Meantime the process of displacement of labor by new machines and rationalization (the reduction of labor costs) does not slow up. Instead, the crisis drives employers to introduce more labor-saving machinery and more speed-up schemes. NRA continues the story of rationalization. A confidential Washington service to business men says, "There is no disposition in NRA to discourage new machinery, even though it adds to unemployment." Now Stuart Chase makes a prediction on the basis of conservative figures on production, employment and output per man: even if production requirements reach the 1923-25 figure, and even if we get a 40-hour average work week, we will have at least 12,200,000 unemployed in 1934 because of the increase in new and faster machines. Taking the 1923-25 average as 100 in employment, in production and in output per man, the figures are: June, 1933,

employment only 65 as against 103 in June, 1929; production only 92 as against 127; but output per man 142 as against 123.

The reduction of unemployment was one of the humanitarian aims on account of which religious bodies supported the NRA. *What do the above facts and tendencies show concerning the possibility of realizing this aim within the profit system?*

PURCHASING POWER

The need of purchasing power is widely admitted to be the key to the whole situation. Administration officials were keenly aware of the need.

What They Tried. The wages to the re-employed were counted on as new purchasing power. Another, and central measure was the minimum wage requirement of the codes and the blanket agreement by way of raising wages of those already employed. The eye of the administration was in fact on total payrolls rather than the individual wage. Its spokesmen claim an increase in the former and are silent about the latter. This increase is supposed to start the wheels of industry, which will then be able to re-employ more men.

Some Figures. Careful figures prepared for the National Bureau of Economic Research by Frederick C. Mills indicate that with July, 1929, as 100, real per capita earnings of employed manufacturing labor rose from 90.4 to 95.3 in August and then declined to 93.6 in September. The Iron and Steel Institute reports for this basic industry that average earnings per worker per week in iron and steel decreased from \$18.36 in June to \$18.14 in September. The determining factor is what happens to real wages, i.e., wages in relation to prices. (See below.)

Historic Fact Emerges. It is historically demonstrated that capitalism, which lives by its markets, continually destroys its markets. This is one of the essential contradictions of the system, which Marx long ago analyzed. It is almost impossible to overcome it now. The contraction of the world market because nations which formerly bought goods from other nations are now making their own, is part of this story. Another part is a further contraction as a result of the world-wide depression and of policies of economic nationalism like tariff walls, embargoes, etc. Still another part is the destruction of the home market.

Our potential home market in the unmet needs of millions was destroyed in the days of prosperity by the extraction of profit that left the masses insufficient purchasing power, even while salesmanship and advertising was awakening their desires. *Has the new purchasing power which the NRA counted on to prime the profit pump been exempt from this law?*

THE ROLE OF PROFIT

An Attempt. The administration knew the historic role of profit; it understood that the crucial question was whether buying power supplied by the increased and new wages could absorb goods produced at higher costs. The administration set itself to keep down prices until the new purchasing power could make itself felt. Obviously this meant that profits must be kept down. The administration sought to do this through exhortation. General Johnson talked as if a policy of "profits last" was being inaugurated. The President asked managements in the first critical months to "give first consideration to the improvement of operating figures by greatly increased sales to be expected from the rising purchasing power." He said that the whole project would fail if prices were inflated as fast as wages were increased; that price increases must be deferred as long as possible, "even at the expense of full initial profits?"

What Happened. The President recognizes the right of the individual to seek "his own fair profit." How else but by profits can business men live and work under the profit system? Therefore, the result of Roosevelt's appeal was the same that followed Hoover's request to the big industrialists at the beginning of the depression to refrain from cutting wages. It simply couldn't be done under the profit system. Anticipating the higher costs that code wages would force, many manufacturers hurried to produce a supply of goods before the codes came into effect and then put up their prices. The codes themselves inasfar as they eliminated unfair trade practices cleared the way for higher prices and profits. They were drawn up by the trade associations. These are dominated by the very corporations that have hitherto specialized in big profit-taking. So profits have not been kept down.

Profit Makers and Victims. The National City Bank has made a tabulation of the financial statements of 205 large industrial corporations having a combined net worth of \$7,443,000,000, and covering 19 industrial groups. They show that while only 46 per cent of these were making profits in the third quarter of 1932, and 43 per cent in the first quarter of 1933, 61 per cent were making profits in the second quarter of that year and 77 per cent in the third quarter—the very three months when code wages and hours were getting into force and prices of materials were going up. This was contrary to the prediction of orthodox economists that higher production costs under the NRA policy would result in diminished profits. Also in this quarter production was decreased. What all of this seems to mean is that manufacturers, to beat NRA and inflation, hurried to produce more during the second quarter at low costs and in the third quarter put up prices more than enough to make up for the increased costs. That the larger profits were accompanied by decreased production means that there was lack of consumer demand. What has resulted is: larger profits, diminished

output and cancellation in large part of the gains to workers and farmers through increased wages and prices—because ownership carries the right to make profits at their expense.

Reversing a Law of Capitalism. Roosevelt called his plan to have the business men get their return by increased sales rather than higher prices "good economics and good business." But what he was, in fact, trying to do was to reverse a law of the profit system that wages rise after prices and fall before prices. Evidently this could not be done. The employers who shoved up their prices anticipating higher costs under code wages were following the inexorable working of this law of profits.

Another Law of Capitalism. Also the lessening margin of profit forbids the realization of the humanitarian ideals which the administration voices and which church spokesmen emphasize. The recent increase of profits above noted, like the fake speculative prosperity of the pre-depression years, is only a temporary intermission. The world situation is clear. Because capitalism destroys its markets and wastes its resources it constantly diminishes its opportunity for profits. It is, therefore, in its old age, as Marx pointed out, under the law of falling profit. At the height of prosperity decent wages and adequate social services could have been provided. They would have given sufficient purchasing power to keep the profit system alive for a while. The more enlightened capitalists, with their new era philosophy, saw this. But the rank and file of business men were not intelligent enough to see beyond immediate profits. Now there is no sufficient general margin of profits to carry a rising standard of living.

What then is the point of religious bodies supporting a system that they admit is contrary to their ideals because it is trying to accomplish humanitarian aims that cannot be realized under the profit economy?

RAISE PRICES

Another Move. Facing the impossibility of reversing the law of profit the government then reversed its own tactics. It extended to industry the general policy of price raising it had adopted for the restoration of agriculture. It launched inflationary measures designed to raise commodity prices to the 1926 level. Prices have climbed up. Fairchild's index of retail prices of department store items shows a 23 per cent increase in September over February. The Department of Labor index of retail food prices shows an 18 per cent increase for the same period. A survey by the *United States News* shows that the dollar in the pay envelope buys 16 per cent less food than last March. This means that it buys less of other commodities too. Almost exactly the same per cent for food was found by investigators of the Pen and Hammer Club in New York pricing groceries in that city. This price rise still further destroys such new purchasing power as increased payrolls have given. (See above on capitalism destroying its markets. The big problem of the relation of farm prices to industrial prices, a chief ground of farmers' discontent, will be discussed in a later BULLETIN on the AAA.)

The Neglected Consumer. A Consumers' Advisory Board of the NRA has not been able to protect the consumer against increased prices. Professor Ogburn resigned from it saying publicly, "The consumer's main interest is in prices. . . . The consumer will lose unless indices of prices and purchasing power are developed." The administration's only answer was to launch a Buy Now campaign. Its need to get money into circulation had been frustrated by the business men's continued chance at profit making, the meager code wages, and rising prices. The Buy Now campaign was aimed in effect at the lower middle class. But salaries, which had been cut all along the line, were not being restored. The code concern is with wages, not salaries. The rising prices left this class of consumers in a worse plight. A fictitious Mr. Martin tells in *The Nation* the unsuccessful attempt of his family to keep up its middle class standard of living—paying for his house (interest on mortgage), telephone, gas and electricity, car, dentist, amusements—on a \$30 a week salary, which had been \$50 during "prosperity." There is much similar personal testimony.

They Can't Buy. *The Daily News Record* reported on October 16th a survey of the Buy Now campaign: Baltimore—"Not up to expectations"; Washington—"Little effect on retail sales"; San Francisco—"Very disappointing . . . in spite of many price promotions"; Twin Cities—"Business this week 1 per cent to 10 per cent below same week last year." The same paper reported October 19th, "Retailers must face the fact that sales volume has been declining despite the substantial increase in prices." *The New York Times* reported October 15th, "Department stores sales in this district were 3 per cent less last month than in September, 1932." *Tide*, advertising and marketing journal, says in its October issue that there is a fast-growing resentment to fast-rising prices.

Thus the inexorable working of the profit system reduces the economics of the administration program to an attempt to get the people to consume more at higher prices on a smaller income.

INCREASE OF DEBT

Another crucial point is the increasing of our debt structure. Research shows that about the same time that we passed the peak of employment in 1919-1920, debt began to increase faster than productivity. This is comparable to the individual borrowing beyond the capacity of his income to repay.

About the Debt Claim. What the financier calls capital is a claim to income, therefore a debt that the people as producers owe to the people as investors. The more invested the greater becomes the volume of our debt. Our public and private debt is estimated at between \$150,000,000,000 and \$250,000,000,000. The total debt burden, including debt payments of interest, amortization, and maturing payments on principal represented in 1932 over \$25,000,000,000, or more than 50 per cent of our national income for the year.

Credit to Business. The normal process under capitalism is to cancel debt through the bankruptcy which accompanies the down-swing of the cycle. This time the government has interrupted a capitalist law by pouring credit into business. This administration has continued the Hoover policy of using the R. F. C. to this end. This means that the government in effect becomes an agent to collect for the controlling investing group whose mismanagement has frozen out so many of the smaller investors. The government now supports the present income claims of this group by putting its credit behind them. The liberal Roosevelt administration apparently did not want to become such an agent. It meant only to restrain and regulate. But it finds itself in this position.

Giving to Those Who Have. It turns out that the program designed to help the small man operates finally, as everything does under the capitalist system, in the interests of the smaller group at the top. When the present administration came in, already concentration had reached the point where about 4 per cent of the people owned nearly four-fifths of the national wealth; less than 2 per cent were receiving almost one-sixth of the national income. And the major part of their income was from ownership or control of property. Berle and Means have shown that the new ownership is "control" by insiders. The codes put the insiders in control. This concentration of control is a characteristic of capitalism. It has been going on even during the depression. NRA encourages it by excusing the code industries from the anti-trust laws. Business journals recognize and gloat over this new endorsement.

How Repay? The question that is raised by putting this government help behind this concentrated group is how will this money be repaid? The two main sources are by government bonds and taxation. Ultimately this means only by taxation. So the government is betting, as business men have done, on an upturn so that there will be profits enough to be taxed. Has it taxed those already made? If more profits come, will the government have the will or the ability to get them? If it cannot or will not get taxes out of big business, then the only resource will be to tax the middle classes. This is even now being done indirectly by the processing tax. In the end it will have to be directly. So for them there will be a lower standard of living.

All along this road we face the possibility of a collapse of the whole credit structure with the resultant chaos.

The same result in even higher degree with a still further concentration of ownership will follow monetary inflation, which is the only thing left for the government to try. This is clearly demonstrated by the experience of Germany, Austria, Poland and Japan.

Where then is there any economic possibility in this attempt to use the power of the state to restore the failing efficiency of the profit system of securing the humanitarian reforms and the social values for whose sake the churches gave their official support to the enterprise?

TO OUR MEMBERS

About Finance: Our income for October and November has fallen \$300 short of these months last year. *How many of you can and will (1) send us as much as you did last year, or more; (2) get new members?*

Not nearly all of you have voted on the two propositions submitted to you in the November BULLETIN. Let us hear from you. We will report next month.

The first three *Crisis Leaflets* are ready. Send a 3-cent stamp for sample. If they appeal to you, use them like tracts; or better, get a bundle order. Will the preacher appoint a captain of distribution?

Have you organized your Discussion Group? See November BULLETIN. Will the preacher go home from discussion with other preachers and start a teacher training class, so as to get the facts about the economic breakdown and what must be done to get the society we need and desire into the educational program of the church? Consult our office about materials.

The cities and dates of H. F. W's western trip thus far fixed, with name and address of contact preacher: Chicago, January 3 to 6, W. B. Waltmire, 1717 N. Fairfield; Denver, January 9 and 10, E. M. Wahlberg, 210 West 13th Avenue; Los Angeles, January 14 to 16, W. Fay Butler, 14257 Erwin Street, Van Nuys, Cal.; San Francisco, January 17 to 19, John H. Strayer, 1270 Sanchez Street; Portland, Ore., January 23 and 24, R. Waldron Anderson, 5127 Lincoln Street, S.E.; Seattle, Tacoma and Spokane, January 25 to 31, E. R. Attebery, 3010 King Street, Seattle; Bozemann, Mont., February 1 to 4, W. B. Spaulding, 109 West Olive Street, Bozemann, Mont. Watch January BULLETIN for further information.